

Preliminary Results of the CPA's Peaker Initiative

June 17, 2003

Purpose

The California Consumer Power and Conservation Financing Authority ("CPA") has completed the first stage of its review of proposals for peaking generation and is conveying preliminary results in the interest of informing the parties and maintaining an open process. The first stage of the review has resulted in the assignment of proposals to one of three tiers. Tier A projects will receive further consideration. Tier B projects will be held in a reserve category which may receive further consideration if a significant number of proposed projects in Tier A are eliminated. Tier C projects will receive no further consideration.

The next stage of the process will be a filing by the CPA with the California Public Utilities Commission ("CPUC") to request support for consideration of the Tier A projects in the CPUC utility procurement process.

NOTE: THESE PRELIMINARY RESULTS DO NOT CONSTITUTE ACCEPTANCE OF ANY BID BY THE CPA, NOR DO THEY CREATE ANY LEGAL RIGHTS FOR ANY BIDDER OR OTHER PARTY IN THIS REQUEST FOR PROPOSAL PROCESS. FURTHER, THE CPA ADVISES ANY BIDDER OR OTHER PARTY THAT THESE PRELIMINARY RESULTS IN NO WAY CREATE ANY LEGAL OBLIGATION ON THE PART OF THE CPA, THE CPUC OR ANY OTHER ENTITY.

As proposal consideration continues, the CPA requests that bidders refrain from calling CPA staff. CPUC filings will be public and will be posted on the CPA website. Procedural updates will be provided by email directly to bidders as information becomes available.

We appreciate the serious response to the CPA's Request for Proposals ("RFP") and are working to allow proposals to be considered by the investor-owned utilities and the CPUC within the ongoing CPUC procurement process. While this effort is underway, bidders should feel free to protect their own interests in the CPUC proceeding, including submitting proposals in any utility requests for proposals that may be issued in the meantime.

Background

On February 28, 2003, the CPA released its RFP for 300 megawatts of new peaking generation on a fixed turnkey price basis for development, design, construction and start-up of the project and placing it into commercial operation. This Peaker Initiative is a first step to obtain approximately 300 megawatts of new efficient peaking reserves under CPA ownership and to provide peak power *at cost* for California's electricity consumers. The CPA designed the solicitation to accomplish this goal by inviting peaker proposals that sufficiently meet either of two objectives—lowest cost or locations in reliability sensitive areas.

In order to achieve the lowest possible cost for new peaking capacity, the CPA invited proposals for new peaking facilities with a fixed turnkey bid price of up to \$500 per kilowatt. For purposes of the RFP process, proposals submitted in response to this lowest cost objective are referred to as Category 1 proposals.

In order to ensure that new peaking capacity is added where additional peaking capacity is most needed for reliability, the CPA invited proposals for new peaking capacity in certain local areas identified by the California Independent System Operator (“California ISO”). For purposes of the RFP process, proposals submitted in response to this reliability objective are referred to as Category 2 proposals.

Summary of First Stage of Bid Process

Bids were accepted until April 23, 2003. In summary, there were 13 proposed projects for approximately 1,050 megawatts in the lowest cost peakers category (Category 1) and 23 proposed projects for approximately 1,300 megawatts in reliability peakers category (Category 2).

Bids were evaluated by CPA staff and placed into one of three tiers within each of the two categories. All proposals that passed basic screening criteria were further evaluated by CPA staff and input was solicited from the California ISO and the investor-owned utilities. These proposals were placed into either Tier A or Tier B. Proposals that did not pass basic screens were placed into Tier C. This is further described below:

- **Lower Cost Peakers (Category 1)**
 - **Tier A.** *8 projects; 659 megawatts.* CPA staff is recommending these projects for further consideration. The amount of generation capacity in Tier A exceeds the overall capacity goal of 300 megawatts; however, it is presumed that a number of these projects may be eliminated as the CPA performs further due diligence on each proposal and continues its deliberative process with the investor-owned utilities, the CPUC, and the California ISO.
 - **Tier B.** *4 projects; 344 megawatts.* CPA staff is recommending that these projects not receive further consideration at this time (i.e., be held in reserve). However, to the extent a significant number of proposed projects in Tier A are eliminated for various reasons, projects in Tier B may be moved up into Tier A.
 - **Tier C.** *CPA staff is recommending that these projects receive no further consideration.*
- **Reliability Peakers (Category 2)**
 - **Tier A.** *10 projects; 651 megawatts.* CPA staff is recommending these projects for further consideration. The amount of generation capacity in Tier A exceeds the overall capacity goal of 300 megawatts; however, it is presumed that a number of these projects may be eliminated as the CPA performs further due diligence on each proposal and continues its deliberative process with the investor-owned utilities, the CPUC, and the California ISO.

- **Tier B.** 7 projects; 319 megawatts. CPA staff is recommending that these projects not receive further consideration at this time (i.e., be held in reserve). However, to the extent a significant number of proposed projects in Tier A are eliminated for various reasons, projects in Tier B may be moved up into Tier A.
- **Tier C.** CPA staff is recommending that these projects receive no further consideration.

Next Steps in Bid Process

As the next step in this selection process, the CPA intends to file with the CPUC to advance the process as soon as possible with a goal of negotiating all the necessary agreements prerequisite to any financing that would make possible a Summer 2005 commercial operation date. ***This notice does not constitute acceptance of any bid and does not obligate the CPA in any way, as more fully set out in the important note at the beginning of this notice.***

The CPUC filing will be a public document and will be posted on the CPA website when it is submitted. It is anticipated that the filing will occur by June 30, 2003. Until the process reaches a further stage of consideration, the CPA respectfully requests that bidders refrain from contacting the CPA.

Results

The following tables list the projects, first by category (i.e., low cost peakers or reliability peakers), then by tier (i.e., A, B, and C):

LOWEST COST PEAKERS (CATEGORY 1 PROPOSALS)

Tier A (8 projects; 659 megawatts)

Bid Number	Developer Name	Project Location
5	Power Switch	Vernon
8	Wellhead Electric	Firebaugh
10	DG Power	Fairfield
18	Calpine	Fairfield
20	RAMCO	West Fresno
21	Firm Green Power	Merced County
22	Firm Green Power	Riverside County
23	Firm Green Power	Martell

Tier B (4 projects; 344 megawatts)

Bid Number	Developer Name	Project Location
4	Chino Organic Power	Chino
14	Sierra Industrial Group	Tuolumne County
20	RAMCO	Chula Vista
24	MegaEnergy	Visalia

Tier C

Bid Number	Developer Name	Project Location
2	Marson Energy	Unknown
3	Energy Solutions Soft	Fresno County
6	Atlantic Power	Unknown
17	Pratt & Whitney Power Systems	Lodi

RELIABILITY PEAKERS (CATEGORY 2 PROPOSALS)

Tier A (10 projects; 651 megawatts)

Bid Number	Developer Name	Project Location
7	Wellhead Electric	Santa Maria
11	DG Power	Paso Robles
12	Enpower	Davis
12	Enpower	Sonoma
12	Enpower	Ignacio
13	Alliance Power	Pueblo
13	Alliance Power	Sonoma
13	Alliance Power	Watsonville
13	Alliance Power	Paso Robles
19	Calpine	San Francisco Airport

Tier B (7 projects; 319 megawatts)

Bid Number	Developer Name	Project Location
1	North American Power Group	Blue Lake
9	DG Power	Willits
12	Enpower	Arco
13	Alliance Power	Ignacio
13	Alliance Power	Greenbrae
20	RAMCO	Ignacio
20	RAMCO	Ukiah

Tier C

Bid Number	Developer Name	Project Location
1	North American Power Group	Rocklin
1	North American Power Group	Fresno
2	Marson Energy	Unknown
6	Atlantic Power	Unknown
12	Enpower	Gustine
12	Enpower	Watsonville
15	Sierra Industrial Group	Unknown
16	Western Peaking Services	Unknown
17	Pratt & Whitney Power Systems	Lodi